

INTERPLAY OF SECTION 194(Q) and SECTION 206C (1H)

First time in the history of Indian Direct Tax Laws “TDS” was made applicable on “Goods”. During the Budget Speech of 2021 Hon’ble Finance Minister introduced Section 194Q on purchase of Goods requiring deduction of TDS if purchases from a vendor exceeds Rs. 50 Lakhs during the year and the purchaser has turnover of Rs. 10 Crores or more during preceding FY. (Applicable from 01st July 2021)

Before this during Budget Speech of 2020 Hon’ble Finance Minister had introduced Section 206C (1H) wherein TCS was introduced on receipts from sales of goods.

Sr. No.	Particulars	Section 194(Q) - TDS	Section 206C(1H) - TCS
1.	Who is Responsible for Collection/Deduction of Tax	Purchaser of Goods	Seller of Goods
2.	Applicable on Whom	Turnover of assessee being buyer of goods is more than 10 Crores in preceding year	Turnover of assessee being seller of goods is more than 10 Crores in preceding year
3.	Applicable from	01-July-2021	Already applicable from 01-Oct-2020
4.	Threshold Limit	Value of “Purchases” from a vendor of goods exceeds Rs.50 Lakhs during the current year	Value of “Sales Consideration” from a customer exceeds Rs.50 Lakhs during the current year
5.	Time of Deduction/Collection	At the time of payment or credit whichever is earlier	At the time of receipt from the buyer of goods
6.	Value on which deduction/ collection to be made	On Gross Value of Purchase without GST (Exceeding Rs. 50 Lakh)	To be collected on total value of receipt including GST (Circular No. 17 Dated 29.09.2020) (Exceeding Rs. 50 Lakh)
7.	Rate of Tax	0.1%(5% in case of No PAN)	0.1%(1% in case of No PAN)
8.	Return Type	Form 26Q	Form 27EQ
9.	Certificate of Credit	Form 16A	Form 27D
10.	Option for Lower Deduction	Not Available	Not Available
11.	Consequences of Non Compliance	30% of Purchase amount on which TDS not deducted shall be disallowed u/s 40a(ia) of IT Act 1961	Interest, Penalty and Prosecution under various sections of IT Act 1961

Important Note: Section 194Q will prevail over Section 206C (1H). That means if Both Buyer and Seller of Goods have turnover of Rs. 10 Crores or More and Sale (Receipt from Sales)/Purchase is more than Rs. 50 Lakhs during the FY then in this case Purchaser will Deduct TDS @ 0.1% on purchase value and Provisions of Section 206C (1H) will not be applicable of Seller of Goods when he receives payment against sales made to such buyer.

Practical Scenarios on Applicability of TDS/TCS under Section 194Q & Section 206C (1H)

1.	The turnover of Buyer and Seller in the preceding year exceeds Rs.10 Cr. and the purchase exceeds Rs.50 Lakhs in the current year.	Buyer would deduct TDS @ 0.1% u/s. 194Q.
2.	The turnover of the Buyer exceeds Rs.10 Cr. in the preceding year but that of the seller is less than 10 Cr. and the purchases exceed Rs.50 Lakhs in the current year.	TDS would apply u/s. 194Q @ 0.1%
3.	The turnover of the Seller exceeds Rs.10 Cr. in the preceding year, however that of the buyer is less than Rs. 10 Cr. and the purchases of the buyer is more than 50 Lakhs in the current year.	TCS would apply u/s. 206C(1H) @ 0.1% assuming that the entire amount has been paid
4.	The turnover of both buyer and seller is less than Rs.10 Cr. in the preceding year and the purchases exceed Rs.50 Lakhs during the current year.	No TDS/ TCS is required to be deducted / collected.

Disclaimer: Information contained in the article is based on understanding and knowledge of Author. Same shall not be constituted as any specific opinion of Author.

**CA Parinder Jindal
+91-9780383400**